GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0670	**Title:**	Provide local government discretion in reducing tax value for certain property
Primary Sponsor:	Vincent, Chas	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$17,350	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	($17,350)	$0	$0	$0

Description of fiscal impact:

This bill would allow local taxing jurisdictions the ability to abate property taxes on certain commercial and industrial properties in order to facilitate the continued operation of the business. The bill applies to property tax years 2009, 2010 and 2011

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. This bill provides the ability to reduce the taxable value of "commercial real property." The current bill language states that a governing body or school district "may reduce the taxable value of commercial real property **other than** land, improvements, personal property or any combination of that property"." There are no other types of real property; therefore, the abatement allowed in the bill as drafted would not be used and the bill would have no fiscal impact on property tax collections
2. Section 2 (1)(a) indicates that only commercial property owned by a business that has not been operating for at least six months immediately preceding the request for reduction in taxable value and does not

intend to use the property for at least six months following the reduction in taxable value would qualify for the abatement (technical note 1).

3. Section 2 indicates that if the reduction in taxable value is granted by a local jurisdiction the reduction would apply only to mills levied by the respective jurisdiction. Because this bill requires that some mill levies be applied to the unadjusted taxable value and others applied to the adjusted taxable value, enhancements to the Department's ORION property system are necessary. This will require programming and functionality enhancement to the ORION system. It is estimated that this will require 90 hours of contracted programming time at a cost of $14,850 (90 hours X $165/hour) in FY 2010 (technical note 2).
4. The bill will also require the development of an application form for use by local government, to be passed back to DOR when approved. Form development cost is estimated at $2,500 in FY 2010.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
Department of Revenue				
Expenditures:				
Operating Expenses	$17,350	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$17,350	$0	$0	$0
Revenues:				
General Fund (01)	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($17,350)	$0	$0	$0

Technical Notes:

Department of Revenue (DOR)

1. The department currently does maintain information on the ORION property system as to whether commercial property is currently being utilized by a business owner. Section 2(a) of this bill requires that the property be idle for at least six months prior and after the application for abatement. Local governing bodies would be required to maintain this information.
2. Based on current bill language, it will not be feasible to have the ORION enhancement or the application form completed by either April 15th or May 15th of TY 2009. The costs have been moved to FY 2010.
3. Section 2(2)(b) is unclear as it indicates that the governing body may end the tax benefits by majority vote at any time but also states that the tax benefit may not be denied a commercial or industrial business that previously qualified for the business. Section 2(6) states that the tax benefit may not be granted if the business owes delinquent property taxes. However, it is not specified whether a business would be disqualified because of delinquent property taxes owed on the property for which abatement is granted or delinquencies incurred on other property once the abatement provided in this bill is granted.

<u>Effect on County or Other Local Revenues or Expenditures:</u>

Department of Administration (DOA)

1. The governing body electing to use the provisions of this bill may refuse to reduce the taxable value of the property if it determines that the reduction in taxable value is not in the best interest of the local government. There is no significant impact to local governments

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*